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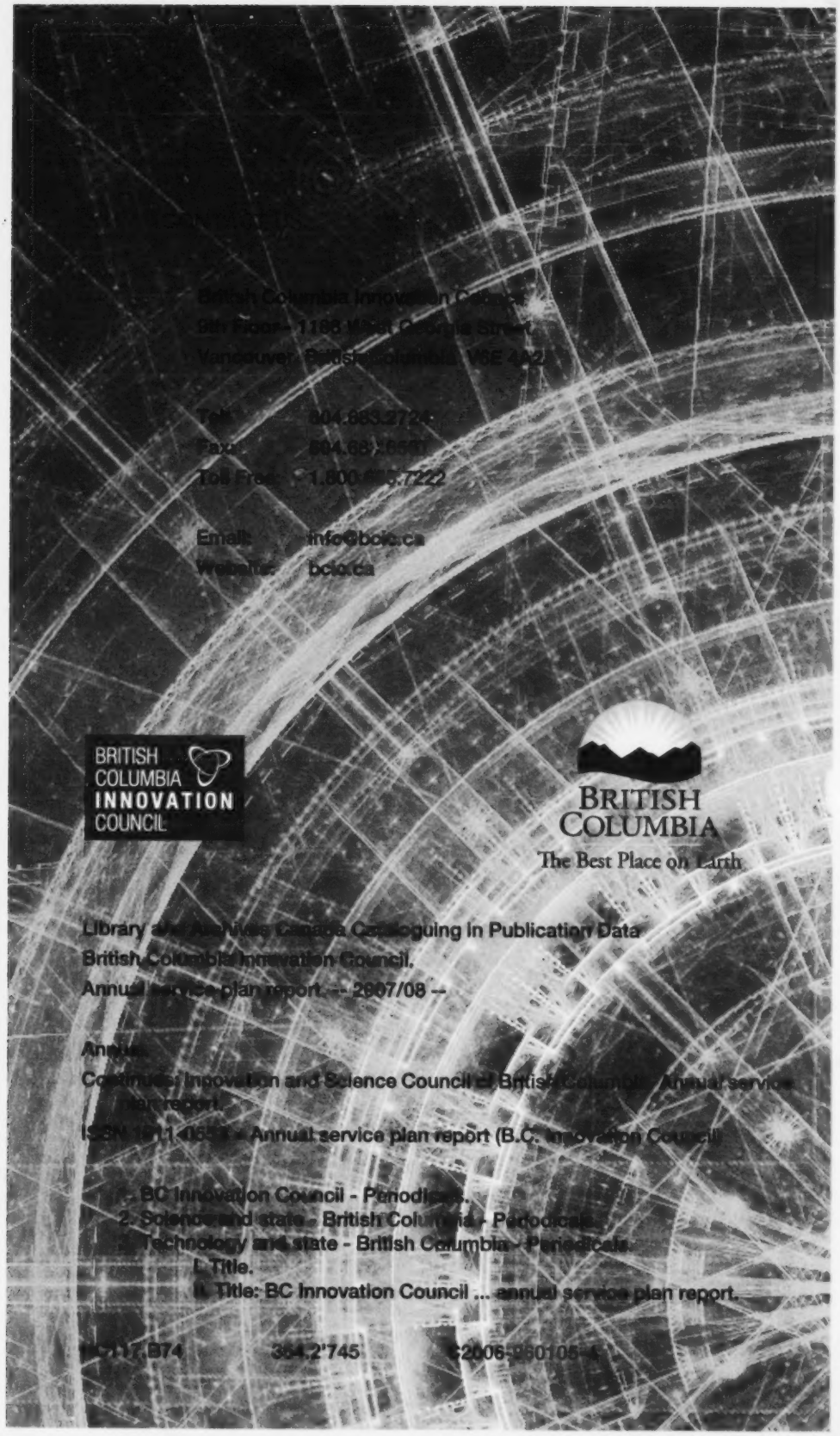
ATION
IN BRITISH COLUMBIA

OR THE PERIOD APRIL 1, 2007 TO MARCH 31, 2008

BRITISH COLUMBIA INNOVATION COUNCIL



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BRITISH COLUMBIA INNOVATION COUNCIL

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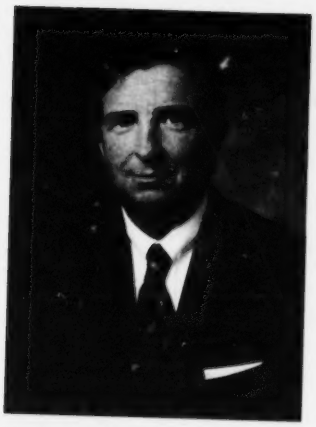


Hector MacKay-Dunn, QC
Chair, British Columbia Innovation Council

Dear Minister Coell,

On behalf of the Board of Directors and the employees of the British Columbia Innovation Council, I am pleased to present our Annual Service Plan Report for fiscal 2007/08.

Over the past year we broadened our capacity in sector development, revitalized our program offerings and increased collaboration with a broad spectrum of partners, including government, academia, industry organizations and companies throughout British Columbia.

We also strengthened our Board with the addition of five new directors. It is an honour to work with an exceptional group of committed and highly qualified existing and new Board members: Greg Aasen, Jonathan Burke, Gurval Caer, Don Cozzetto, Jock Finlayson, Richard Glickman, Ken Higginbotham, Doug Horswill, Greg Kerfoot, Jill Leversage and Alan Winter.

As the Government's lead organization charged with advancing innovation and commercialization in the province, our key challenge is to help competitively position British Columbia in the global science and technology economy. To this end we are focused on achieving three goals:

The Provincial Government has designated the British Columbia Innovation Council as the lead organization charged with advancing innovation and commercialization in the province. The aim of BCIC is to competitively position British Columbia in the global science and technology economy in order to create wealth in the economy.

- Increasing human resource talent in British Columbia's technology sector to meet the growing demand for individuals with the skills to grow our knowledge economy. Through creative use of scholarships for the most innovative students in BC's high schools and collaboration between students in science and business, and attracting highly qualified international students and technology workers, we endeavour to help eliminate the single largest threat to the knowledge economy, namely the shortage of qualified people available to the industry.
- Nurturing innovation to enable a greater number of ideas to develop at all levels in our schools and universities, as well as in the private sector. For example, we support the use of science fairs across BC to encourage young people to pursue an education in science and technology. We work with outreach organizations throughout BC to maximize their efforts and working closely with the Regional Science and Technology Councils we are garnering terrific interest.
- Strengthening British Columbia's commercialization process by providing encouragement and the necessary tools to drive innovative ideas toward commercial success. Our activities involve supporting the development of strong business plans with New Ventures BC, proof of concept and proto-typing and building critical mass in key sectors of the economy with sector experts who create new levels of interaction and collaboration between government, business and the province's education system.

Financial Position

The British Columbia Innovation Council is currently in a strong financial position. Existing resources are fully committed to Board-approved programs and sector initiatives and the continued support of our government will ensure that the BC

knowledge economy remains a strong and vibrant area of growth and prosperity for British Columbians. BCIC creates partnerships to maximize the value of every dollar spent by the organization. We leverage funds, knowledge and industry expertise from a variety of solid relationships that have continued to evolve to new levels of strength. BCIC enters into partnerships with federal and provincial government agencies, research institutions, industry and regional groups to carry out its activities through sponsorships, contribution agreements and other forms of support.

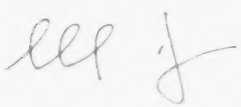
.ooking Forward

With the changes implemented over the past year, BCIC is revitalized. In the coming year BCIC will continue in its role as a key player in the growth of a strong knowledge economy. Increased sector strength, new programs and key relationships across government, educational institutions and businesses in BC, Canada and abroad, will continue to make the province a leader in the global race towards excellence in key technology industry sectors.

There is great enthusiasm among BCIC staff and at the board level, and I greatly look forward to the year ahead.

- Integrating and Enhancing the BC Knowledge Transfer System by Global CONNECT, published May 2007

On behalf of the Board,



Hector MacKay-Dunn, QC

Chair, British Columbia Innovation Council

May 8, 2008

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"A key role of the British Columbia Innovation Council is to "facilitate the active engagement of entrepreneurs, researchers, technology companies, capital providers, service providers and government agencies to build a community that assists in the mobilization of knowledge and the formation and growth of technology-based business opportunities in BC."

Looking Forward

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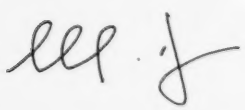

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Chair, British Columbia Innovation Council

May 8, 2008

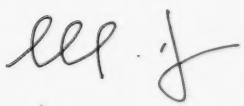
ACCOUNTABILITY STATEMENT

The 2007/08 British Columbia Innovation Council Annual Service Plan Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of British Columbia Innovation Council for the 12 months ended March 31st, 2008. The measures presented are consistent with the British Columbia Innovation Council's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of May 1st, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. The contents of this report are consistent with the Shareholder Letter of Expectations received from the Minister of Advanced Education in 2007.



Hector MacKay-Dunn, QC

Chair, British Columbia Innovation Council

May 8, 2008

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ORGANIZATIONAL OVERVIEW

The British Columbia Innovation Council is a provincial Crown Agency operating under the British Columbia Innovation Council Act (Amended in Bill 15 - 2006).

Hector MacKay-Dunn, QC, chairs the 12-member Council Board which is responsible to the Honourable Murray Coell, Minister of Advanced Education and the Minister Responsible for Research and Technology.

BCIC's 19-person staff is led by Soren Harbel, Vice-President, Innovation Development.

BENEFITS FOR BRITISH COLUMBIANS

As the lead organization charged with advancing innovation and commercialization in the province, the BCIC is focused on competitively positioning British Columbia in the global science and technology economy. A strong economy provides the underpinning for a high standard of living and availability of quality jobs for British Columbians.

Through close collaboration with industry, government and academic institutions, BCIC plays a vital role of enabling and facilitating key sectors where the province has core competency and the opportunity to be recognized globally as a centre of excellence. BCIC's goal is to accelerate the development of new ideas that can be turned into commercial success.

The primary benefit to British Columbians is a more dynamic and diverse economy over the long term. BCIC's initiatives also produce short-term benefits. For example, in fiscal 2007/08 BCIC was instrumental in attracting two world-class conferences – Pacific Rim BIO for 2008 as well as becoming the permanent home of BioMarine – the foremost international conference dealing with the world's oceans – to be held in Vancouver every two years, starting in 2009.

HOW BCIC CONTRIBUTES TO A STRENGTHENED ECONOMY

BCIC's strategies, programs and initiatives expand BC's technology and science economy by:

Increasing human resources talent in British Columbia's technology sector to meet the growing demand for individuals with the skills to grow our knowledge economy.

BCIC supports the development of human resources talent in British Columbia by promoting science and technology, the digital arts and business entrepreneurship courses at BC's post secondary institutions through scholarships and other tools. Further, BCIC is attracting new talent from other jurisdictions, including other Canadian provinces and the US, to ensure that the talent gap that currently exists is filled.

Nurturing innovation to enable a greater number of ideas to form, leading to more opportunities for personal and ultimately commercial success.

BCIC identifies and collaborates with partners to advance ideas and innovation to a platform that builds strong commercialization potential. For example, BCIC partners with the BC Regional Science and Technology Network to support local initiatives and grow province-wide programs, such as science fairs and regional participation in the New Ventures BC business plan competition.

Strengthening British Columbia's commercialization process by providing encouragement and necessary tools to drive innovative ideas toward commercial success.

BCIC is building a network of Entrepreneurs in Residence to identify and increase the flow of commercially viable ideas generated at BC's post-secondary institutions. BCIC is also partnering with industry and federal partners to increase awareness in international markets of key sectors where BC has capacity and competitive advantage. Greater awareness is fundamental to attracting venture capital and motivating companies to locate and grow in BC.

BCIC adopted an industry sector focus in fiscal 2007/08 to enable businesses to work more closely together in order to accelerate the creation of value in the technology industry in BC. BCIC's Director, Life Sciences is developing a set of clusters and networks to advance the province's biorefining, bioenergy and bioproducts sectors. BCIC's Director, Oceans and Energy is developing opportunities to produce more highly integrated systems and products in ocean technology. BCIC's Director, Creative Industries sector, is fostering connections between industry, academia and federal and provincial levels of government to collaborate on activities to further strengthen the integration of film, new media and the digital arts, as well as industrial design.

The standard of living and the opportunities available for British Columbians are dependent on a competitive and productive economy. If British Columbia is to have the resources to address pressing social issues, we must have a strong competitive business base. Wealth is generated by business and reallocated by government."

MANDATE

BCIC operates under five strategic mandate areas:

- Encourage the province's youth pursue research and technology related careers.
- Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology-based products and services to international markets.
- Expand and capitalize technology transfer by moving research results with clear economic potential from academic and other research institutions into the commercialization process as quickly and efficiently as possible.
- Partner in the development and promotion of a province-wide strategy for science and technology research, innovation and development.
- Build public awareness for science and technology by recognizing high achievement of the province's scientific researchers and technology entrepreneurs.

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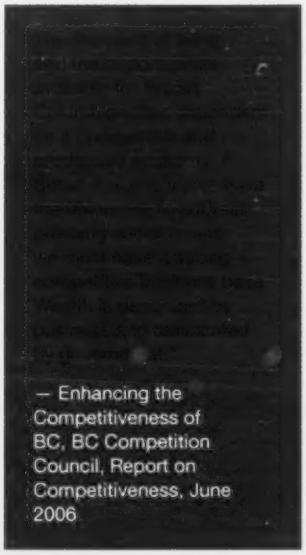

— Enhancing the Competitiveness of BC, BC Competition Council, Report on Competitiveness, June 2006

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- Build public awareness for science and technology by recognizing high achievement of the province's scientific researchers and technology entrepreneurs.

BCIC Values

BCIC's values guide its operation:

Entrepreneurial
Identifying the needs of its primary market — the research and innovation sector in the province — and ensuring that it carries out market driven activities.

Innovative
Pursuing opportunities that ensure its resources are effectively leveraged and sustainable activities are developed.

Partner-driven
In its collaboration with other organizations, to leverage and bring added value to programs and activity planning and execution.

Accountable
For its activities, ensuring efficient, transparent and fair processes are followed.

OVERVIEW OF CORE BUSINESS

The Province of British Columbia has designated the British Columbia Innovation Council (BCIC) as the lead organization charged with advancing innovation and commercialization in the province.

The role of BCIC is to facilitate and expedite top-tier innovation and commercialization in British Columbia in partnership with government, industry and institutions. BCIC's activities involve developing and implementing programs and initiatives in the areas of talent development, innovation and commercialization to enable growth in key sectors where British Columbia has core competency and opportunity.

A key measure of success at BCIC is partnerships. BCIC leverages funds, knowledge and industry expertise from a variety of strong relationships that continue to evolve to new levels. BCIC enters into partnerships with federal and provincial government agencies, research institutions, industry and regional organizations to carry out its activities through contribution agreements, sponsorships and other forms of support.

SHIFTS IN CORE BUSINESS

During fiscal 2007/8 the British Columbia Innovation Council implemented an ambitious strategy to accelerate the growth of science and technology sectors throughout British Columbia. The strategy involved broadening capacity in sector development, revitalizing program offerings and increasing collaboration across a broad spectrum of partners, including government, academia, corporations and communities throughout British Columbia.

To accelerate commercialization, BCIC strengthened connections with industry by adopting an industry sector approach focused on building critical mass in five key sectors of the economy where British Columbia has a competitive advantage. At the time of writing, three sector director positions have been filled with industry experts,

with a further two to follow in fiscal 2008/9.

As cited by the Premier's Technology Council and a number of federal and provincial ministries, in order to advance innovation and commercialization there is a critical need to overcome the 'silo effect' inherent in and among organizations and institutions. As an independent organization, BCIC is able to connect individuals from different organizations to spur advances in innovation and commercialization. BCIC's strengthened industry focus has increased its ability to provide connections across organizations. Working across regions, local and federal governments, academic institutions, industry associations and with businesses directly, BCIC is in a unique position to advance and accelerate collaboration.

To fast track commercialization and business growth and build on British Columbia's regional strengths, BCIC developed a full range of programs to further the talent development goal and boost commercialization capabilities among students, faculty and entrepreneurs.

To implement the growth strategy, BCIC is expanding its human resources to develop and manage new initiatives and activities. Many employees are new; at March 31, 2008 12 of BCIC's 19 employees had joined BCIC during the previous 12 months.

(L-R) Jim Hamilton, President of Okanagan College; Roger Barnsley, President and Vice-Chancellor of Thompson Rivers University; Jim Thompson, Chair of SIDIT; Kevin Krueger, Minister of State for Mining, and MLA for Kamloops-North Thompson; and Claude Richmond, Minister of Employment and Income Assistance, and MLA for Kamloops, gather with students, faculty and executives at Thompson Rivers University in Kamloops

In March 2008, BCIC joined with the Southern Interior Development Initiative Trust (SIDIT) to promote innovation and commercialization in the Southern Interior. The initiative supports students from across the Southern Interior who enter a wide range of trades and science and technology programs at four academic institutions: Thompson Rivers University in Kamloops, Okanagan College in Kelowna, Selkirk College in Nelson and the College of the Rockies in Cranbrook. BCIC's support relates to programs that promote technology innovation, research development and commercialization.

CORE BUSINESS FUNCTIONS

Activities are accomplished through three functional areas:

- Sector Development
- Programs
- Marketing and Communications

SECTOR DEVELOPMENT

BCIC's three sector directors identify program opportunities and activities that will grow their respective industry sectors, further recruitment of talent and enhance innovation and commercialization. They work closely with government, industry

associations and institutions to create partnerships that lead to the development of greater wealth creation in the province's technology economy; and assist in the development of ideas, around which the Programs Department can design specific solutions.

Ocean Sciences and Energy Sector

BCIC's Ocean Sciences and Energy development function has engaged industry, academia and government to develop a strategic direction for the sector based on identifying key priority areas where BC holds a particular advantage. These include maritime and port security technologies, ocean renewable energy technologies and ocean observing technologies.

In addition to supporting Ocean Research and Education, BCIC develops tactical opportunities for BC Ocean Technology companies to collaborate in the creation of more highly integrated products, that in turn create an exponential opportunity for economic wealth creation.

The BC Ocean Technology Cluster is internationally recognized and is the largest regional technology cluster of its kind in Canada. BCIC plays a leadership role in facilitating strategic economic development opportunities and business-to-business and academic relationships between the BC cluster and those in other parts of Canada and the US.

Life Sciences Sector

BCIC's Life Sciences Sector was created in July 2007 to identify technology commercialization and business growth opportunities in the province's bioproducts and life sciences industry sectors. A key focus is to facilitate the growth of the province's bioproducts industry which uses plant and animal sources as feedstocks to produce a wide range of materials and products. This involves supporting initiatives to develop and refine biofuels such as ethanol, methane and wood pellets for energy production. Facilitating a strong bioproducts industry also supports the province's climate change and carbon neutrality initiatives.

In the health field, BCIC works closely with LifeSciences BC, the Ministry of Agriculture and Lands and a range of other organizations. BCIC has partnered with the federal government and the British Columbia Cancer Agency (BCCA) to grow the capacity of BCCA's technology transfer office.

Murray Coell (right), Minister of Advanced Education, speaks with Dr. Ron Burnett, president of Emily Carr University at an event to showcase innovative products developed by Emily Carr students. During the year, BCIC added Emily Carr to the roster of institutions it supports to help turn intellectual property into commercial successes.

Creative Industries

BCIC's Creative Industries sector was established in October 2007 to foster connections between industry, academia, and federal and provincial levels of government to collaborate on activities that can further strengthen the already well established sectors such as film while creating further momentum for growth in new media and industrial design.

In 2007/8 BCIC joined with the Federal Government in supporting a new commercialization office at Emily Carr University. This creates a new and exciting

way for ideas that germinate at this critical institution to take the first steps towards commercial success.

Additional Sectors

BCIC is in the process of assessing the opportunity to develop a further two sectors; Clean Technology and Information and Communications Technology in fiscal 2008/9.

International

The Sector Development Department works closely with industry and association partners and foreign jurisdictions to develop international partnerships and strategic alliances.

In addition to various federal government departments and organizations, partner organizations include Pacific North West Economic Region (PNWER) and various institutions in California, Oregon, Washington and the People's Republic of China.

PROGRAMS

BCIC is launching a range of programs to provide a continuum of training and support for students and faculty, post-secondary institutions and industry organizations involved in technology innovation, research and development, and commercialization. The programs were developed in fiscal 2007/08 and will be fully rolled out through fiscal 2008/09.

The new programs build on BCIC's collaborative partnerships within the province's science and technology communities and where available, will leverage industry and other provincial and federal funds. The programs address five key actions identified in the Province of British Columbia's Research and Innovation Strategy (see sidebar).

Talent Development

Outreach and Science Fairs - Promotion, coordination and facilitation of programs, organizations and educational institutions that encourage primary through secondary students to pursue education and careers in sciences, technology, engineering, mathematics, digital arts+design+media and business entrepreneurship.

Scholarships and Fellowships for undergraduate and graduate students, post-doctoral researchers and faculty to increase the human resources talent pool, creating better trained graduates in scientific research and innovation, and technology entrepreneurship and commercialization.

For more information on specific scholarships and fellowships, visit www.bcic.ca/students, www.bcic.ca/educators or www.bcic.ca/academia-and-research.

Commercialization

A **Business Case Study Library** will allow BC and international students to

The British Columbia Innovation Council is launching a range of programs over the coming months that address five key actions identified in the Province of British Columbia's Research and Innovation Strategy.

- Support talent for the technology community
- Fast-track commercialization and business growth
- Support research and innovation through strategic and partnered investments
- Build on British Columbia's regional strengths
- Maintain an environment that fosters private sector investment

work on and reference BC companies in their studies of successes and critical challenges faced by BC's science and technology industry. Business students and entrepreneurs will have the opportunity to work with local content and international students around the world will likewise be able to use BC as a reference in their pursuit of a business education and career.

New Ventures Business Plan Competition/Certification will provide an opportunity for students, faculty and other entrepreneurs who have completed technology commercialization business plans to present their plans to a panel of industry executives and potential investors. The competition has four rounds and final round winners can qualify for three awards for proof of concept/ prototype development.

Advanced Technology Sales UBC Centre for Sales Excellence will be initiated with the introduction of an education and research centre, an endowed chair, and a new specialization in advanced technology sales, the only such known centre in North America. SFU's Program in High Technology Sales Excellence will provide advanced technology sales training for mid-career technology professionals.

MARKETING AND COMMUNICATION

Marketing and Communication works closely with the Programs and Sector Development Departments to create awareness of BC's science and technology economy, increase the profile of BCIC and promote and market strategic BC opportunities internationally. A number of ongoing initiatives contribute to the success of BCIC's mandate:

British Columbia Innovation Council Awards - is the annual flagship event that BCIC stages to celebrate achievement in the innovation and commercialization community.

International event attraction - positions BC on the world map in specific sectors. BCIC is working to attract new permanent, world-class conferences to BC.

TechTalentBC - partnership with the British Columbia Technology Industry Association (BCTIA) to attract talent from various international jurisdictions, with the primary target being the United States.

International awareness - of BC by working with industry associations and partners to participate in pivotal events in key markets around the world.

Sector specific events and activities - include funding the participation for students in events like BioPartnering, BIO North America, the first annual Wireless Summit and numerous other important industry events.

Comprehensive web-based resources - to inform and educate industry and associations of the value of the knowledge economy.

BC REGIONAL SCIENCE AND TECHNOLOGY NETWORK

BCIC partners with the BC Regional Science and Technology Network, a not-for-profit society whose members work to enhance the application of science and technology to aid the growth and development of innovative businesses in nine regions throughout the province. BCIC funds and collaborates with the nine regional councils to support a stronger culture of innovation by expanding and supporting local initiatives and growing participation in provincial initiatives, such as science fairs and regional participation in the New Ventures BC business plan competition. Science Fairs are delivered in partnership with the Science Fair Foundation of British Columbia (SFFBC) while the New Ventures BC business plan competition is delivered in partnership with BC New Ventures Society.

INTERNATIONAL PARTNERSHIPS OFFICE

This office helps companies develop business in international markets through research alliances and other collaborations with international jurisdictions. These include the significant agreement with China's Ministry of Science and Technology, with the successful proponents being announced by the Premier in Beijing in May 2008. Further partnerships include the Ambassador Program, an exchange of expert personnel with the Medicon Valley, Scandinavia's life sciences hub. The program involves partnerships with LifeSciences BC, the National Research Council of Canada (NRC) and Western Economic Diversification (WD). Further collaboration includes the Transformative Media Consortium in California with University of California-Los Angeles (UCLA), University of Southern California (USC), University of California-Santa Barbara (UCSB), Microsoft, Warner Brothers, Entertainment Arts (EA) and other industry leaders to advance the relationship between industry, government and leading educational institutions.

Premier Gordon Campbell and Beijing's Vice Mayor Cai Fuchao exchange gifts during the grand opening of the British-Columbia Canada Pavilion in Beijing. May 22, 2008.

INSTITUTION-INDUSTRY LIAISON OFFICES

BCIC supports initiatives at a number of BC institutions to advance the commercialization of innovation. These include: The University of British Columbia, Simon Fraser University, University of Victoria, University of Northern British Columbia, Thompson Rivers University and Malaspina University. Three new institutions were added in 2007/8: the British Columbia Cancer Agency (BCCA), the British Columbia Institute of Technology (BCIT) and Emily Carr Institute of Art and Design (ECIAD).

VOLUNTEERS

BCIC relies heavily on volunteer support to carry out its mandate. BCIC greatly appreciates their participation and commitmerit. Volunteers are involved primarily in four functional areas:

Education Support - Scientists and business people who work with schools and outreach organizations to build science and technology education in BC's primary through secondary school system.

Evaluation - Science and business experts who review proposals, participate in workshops and discussions, and provide expert advice on issues relating to research and scientific merit.

Research to Commercialization - Representatives from the public service and private research institutions and laboratories who offer their expertise in research, technology transfer and commercialization.

Commercialization and Business Development - Prominent BC technology entrepreneurs, who serve on the Board, work on committees and provide advice to new companies.

LOCATION

BCIC's office is located at the Leading Edge Technology Centre in downtown Vancouver, where technology industry associations and other complementary organizations are also located. These include:

- Academy for Technology CEO's (AceTech)
- BC Nanotech Alliance
- BC Technology Industries Association (BC TIA)
- BC Technology Social Venture Partners (BCT SVP)
- CNRG International Inc.
- eLearning BC
- Leading Edge Endowment Fund
- LifesciencesBC
- Lion's Gate Learning Alliance
- National Research Council Canada – Industrial Research Assistance Program (NRC-IRAP)
- Wireless Innovation Network of BC (WINBC)

REPORT ON PERFORMANCE

GOALS

BCIC is driven by the core challenge to competitively position British Columbia in the global science and technology economy.

BCIC leads in three specific areas, which contributes to industry, government and the academic institutions in the province achieving the overall goal for the science and technology industry in BC:

- Talent: Increasing human resources talent in British Columbia's technology sector to meet the growing demand for individuals with the skills to grow our knowledge economy.
- Innovation: Nurturing innovation to enable a greater number of ideas to form, leading to more opportunities for personal and ultimately commercial success.
- Commercialization: Strengthening British Columbia's commercialization process by providing encouragement and necessary tools to drive innovative ideas toward commercial success.

STRATEGIES

BCIC enables and facilitates talent growth, innovation and commercialization through:

- Leveraging strengths among five key stakeholder groups:
  - Government at the local, provincial and federal level
  - The education system through primary, elementary, secondary and post-secondary levels
  - Technology industry directly through industry associations and corporations
  - Organizations funded by BCIC; regional councils and research insitution-industry liaison offices
  - International markets where BC can leverage its core strengths to further grow awareness and collaboration
- The development of complementary initiatives that strengthen key industry sectors and the talent flow that propels growth in the technology sectors of British Columbia where the province has core competency and opportunity to be globally significant.
- Raising awareness of the contribution of science and technology to the province's economy and increasing BCIC's profile to advance networks and increase collaboration opportunities.

Major Life Sciences Activities

During the year, BCIC coordinated and led a group of organizations in a successful bid to the US-based Biotechnology Industry Organization (BIO) to bring the Pacific Rim Summit on Industrial Biotechnology and Bioenergy to Vancouver in September 2008. The conference will advance the province's biorefining, bioenergy and bioproducts sectors by providing important connections with world industry leaders for potential partnering and business opportunities. The conference also supports the provincial government's climate change and carbon neutrality initiatives. This is LifeSciences BC's first major industrial biotechnology initiative. Other key partners include Genome BC and National Research Council-Industrial Research Assistance Program (NRC-IRAP). BCIC's Director, Life Sciences is chairing the conference's BC host committee.

BCIC Life Sciences is leading a technology evaluation in the emerging area of using microalgae to produce bioenergy and biofuels. This field has significant potential since oil and chemicals can be extracted from microalgae without competing with food production. The initiative will evaluate emerging technologies from around the world to determine their suitability for application in British Columbia. Results will be available in the fall of 2008. Partners include the BC Ministry of Agriculture and Lands, BC Hydro and Canadian Bioenergy Limited.

BCIC Life Sciences is also leading a Biomethane Technology assessment as a follow up to an Anaerobic Digestion Technology evaluation conducted in 2007 for the Fraser Valley that focused on the production of bioenergy from animal manure. The follow up assessment is focused on scrubbing biogas produced from a range of feedstocks to meet natural gas standards for injection into natural gas pipelines. Partners include the Investment Agriculture Foundation, QuestAir Technologies, BC Milk Producers Association and Terasen Gas.

British Columbia's Bioproduct industry was strengthened during the year with the merger of LifeSciences BC and the BC BioProducts Association. The merger adds a significant Industrial Biotechnology group to the LifeSciences BC organization and will result in greater representation and advocacy for local companies involved in developing and producing bioproducts. BCIC helped to facilitate the merger and its Director, Life Sciences will chair the BioProducts Committee of LifeSciences BC.

Major Ocean Sciences and Energy Activities

During the year, BCIC developed and led a maritime and port security technology mission to San Diego, a key cluster partner. Ten BC technology companies participated, resulting in forty formal business-to-business matches. Support funding was providing by Department of Foreign Affairs and International Trade (DFAIT), Western Economic Diversification (WD), Industry Canada and National Research Council (NRC). BCIC also led a company-funded conference to San Diego related to maritime and port security.

In offshore oil and gas technology, BCIC co-led a mission with Ministry of Energy Mines and Petroleum Resources (MEMPR) to the Offshore Technology Conference (OTC) in Houston, the hub of the offshore oil and gas industry. OTC is the premier conference of its kind, attracting more than 75,000 visitors. As part of this initiative,

strategic relationships with the Houston Ocean Technology Cluster are now being built. The mission was funded by MEMPR and the participants.

BCIC coordinated BC's and the federal government's participation in Oceans 2007, a major international ocean technology conference. This year's conference was held in Vancouver and attracted 1,000 participants.

During the year, BCIC and LifeSciences BC created a partnership to host BioMarine, a major international marine conference that will be held biannually in British Columbia starting in 2009.

In conjunction with the Ocean Renewable Group, BCIC co-produced the West Coast Ocean renewable energy summit. Fifty ocean energy technology companies participated. Funding partners included WED, NRC, Industry Canada and Natural Resources Canada (NRCan).

BCIC's oceans and energy sector director is a member of the advisory board of VENUS (Victoria Experimental Network under the Sea). VENUS is the world's first large-scale underwater observatory.

Major Creative Industries Activities (Director hired October 2007)

During the year, Creative Industries furthered the province's reputation as a willing collaborator with a number of federal government partners and raised the profile of the Province of British Columbia and its role in cultivating talent, business development and innovation among national and international audiences.

BCIC worked with International Trade Canada and the Ministry of Economic Development and supported 24 BC Video Game Studios who made their debut at the Canada Games Booth during the San Francisco Game Developer's Conference, one of the top three Game conferences worldwide.

BCIC is engaged in ongoing initiatives to attract key talent from a variety of domestic and international sources, as the appetite in the industry for strong creative talent continues to grow.

PERFORMANCE MEASURES

The 2007/08 Service Plan was developed while BCIC was undergoing a significant transition as described in the Shifts in Core Business section. The goals, objectives and measures in the 2007/08 Service Plan as outlined in Appendix A of this document were developed in the absence of a signed Shareholder's Letter of Expectation and in the absence of BCIC's strategic plan.

During fiscal 2007/08 there was a clarification and focusing of BCIC's major goals, which resulted in a corresponding change to measures being tracked. The revised goals and their measures are fully detailed in BCIC's fiscal 2008/09 Service Plan.

As the original measures shown in Appendix A of the 2007/08 Service Plan did not contain numerical targets, an explanation of how the goals/measures have changed is explained below.

BCIC's key challenge is to competitively position British Columbia in the global

science and technology economy. To this end BCIC is focused on achieving three goals, and this concentration has re-focused the measures.

Human Resources Talent

The original F2007/08 focus on "Awareness, Research and Innovation Opportunities and Achievements" has been restated as "Human Resources Talent".

From the fiscal 2007/08 Service Plan:

- Goal: Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements
    - Objective: Communicate British Columbia's opportunities and achievements in research and innovation.
    - Objective: Increase exposure of elementary and secondary school students to science and technology.
- Measure: Number of media reports mentioning Council initiatives, events and recipients of support programs.

As noted in the 2008/09 Service Plan, BCIC now focuses on delivering a series of programs to strengthen the human resources talent pool in-province, from other domestic sources and from outside Canada. This includes enrolment in mathematics and science streams in high schools, through post-secondary education and into the workforce. It also includes working with BCIC's partners to attract graduates, experienced workers and faculty from other jurisdictions.

The revised measures focus on the number of students at all levels directly impacted through BCIC scholarships and other programs.

Measure 1A - Secondary: Number of students that are recipients of BCIC-led scholarships to enter undergraduate studies:

2007/8	2008/9	2009/10	2010/11
0	300	400	500

Measure 1B - Post-secondary: The number of undergraduate, graduate students and post-graduates or post-doctorates that are recipients of programs delivered by BCIC directly or jointly with other partners:

2007/8	2008/9	2009/10	2010/11
70	500	600	700

Innovation

The original 2007/08 focus on "Competitiveness" has been restated as "Innovation".

From the fiscal 2007/08 Service Plan:

- Goal: Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities.
    - Objective: Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness.

- Objective: Identify and support research and innovation opportunities in British Columbia.

- Measure: Number of research and technology development/ adaptation projects or initiatives identified and pursued.

As noted in the 2008/09 Service Plan, BCIC focuses on identifying and collaborating with partners to advance ideas and innovation to a platform that builds strong commercialization potential.

Measure 2 - Innovation: The number of business plans, proofs of concept, prototypes, businesses and individuals that have been supported by BCIC programs:

2007/8 Benchmark at Mar 31/08*	2008/9	2009/10	2010/11
	growth 25%	growth 25%	growth 25%

*an actual count will be benchmarked at the end of fiscal 2007/08 with each year expressed as a percentage of growth over the previous year.

Commercialization

The original F2007/08 focus on "People completing BCIC programs" has been restated as "Impact of BCIC programs".

From the fiscal 2007/08 Service Plan:

- Goal: Increase the Development and Commercialization of British Columbia-based Technologies
  - Objective: Support development of highly qualified personnel and business expertise.
  - Objective: Enhance technology transfer from research institutions.
  - Objective: Assist early stage companies to attract funding.
- Measure: Number of technical and management personnel completing Council programs.

As noted in the 2008/09 Service Plan, BCIC is building a network of Entrepreneurs in Residence at major institutions around BC will assist these institutions in launching products faster. Further, awareness of sectors where BC has capacity and critical mass, and houses core strength in key international markets, is a major component of increasing the flow of venture capital and motivating companies to locate and grow in BC. International efforts will focus on the west coast of the United States and the Asia Pacific region, thereby attracting new businesses, investment and financial tools to the BC knowledge economy.

Measure 3 – Commercialization: The number of companies that have been created and grown where BCIC programs and BCIC-partnered initiatives have had an impact:

2007/8 Benchmark at Mar 31/08*	2008/9	2009/10	2010/11
	growth 20%	growth 20%	growth 20%

*an actual count will be benchmarked at the end of fiscal 2007/08 with each year expressed as a percentage of growth over the previous year.

Measure 4 - Domestic and International awareness of BC's knowledge economy:

The number of activities and exposure generated by BCIC activities, including attraction of key conventions and conferences to BC and working with BCIC's partners to grow awareness of BC's knowledge economy:

2007/8	2008/9	2009/10	2010/11
Benchmarking*	20% growth	20% growth	20% growth

*an analysis of applications received for BCIC programs, media coverage, presentations, event participation, regional council activities and website users expressed as a measure of BCIC reach.

Measure 5 - Domestic and international partnerships/agreements BCIC initiates or participates in: The number of domestic and international actions that BCIC develops and participates in and their impact on the BC knowledge economy

2007/8	2008/9	2009/10	2010/11
1	3	4	5

Climate Action

Two additional measures were created to reflect the climate action imperative, and focus on the number of internal and external programs and their results that are led or initiated by BCIC and its staff.

Measure 6A - Number of internal climate action initiatives developed by or participated in BCIC and its staff:

2007/8	2008/9	2009/10	2010/11
1	3	6	9

Measure 6B - Number of external climate action projects adopted or initiated by BCIC that may be suitable for other agencies or business at large:

2007/8	2008/9	2009/10	2010/11
3	3	5	5

In addition to the revised key measures presented above, in fiscal 2008/09 BCIC will be monitoring a number of trends and other measures to ensure that long term objectives are met and that reasonable milestones are established and reached.

MEASURES/BENCHMARK COMPARISONS

Of the three measures proposed in the fiscal 2007-08 Service Plan, none will carry over to BCIC's next reporting cycle in fiscal 2008-09. To help BCIC assess performance towards its new goals, eight new measures have been selected based on the following criteria:

- **Goal-directed** — will objectively reflect BCIC's progress in achieving its goals;
- **Rigorous** — will provide accurate data;
- **Longitudinal** — will track performance over several years.

There will be discussion on revisions to affected measures as new measures develop. BCIC will conduct an ongoing review and report on measurement data, collection

method and frequency, and limitation and controls in future. Ideally, measures would be selected that could be benchmarked against similar organizations in other jurisdictions. BCIC's mandate and structure as a Crown Agency makes this difficult. There are no similar organizations with an equivalent structure - an agency with public accountability and a private sector board of directors – and identifying such organizations will require a significant financial commitment and will detract from current priorities. There is no plan at the time of writing to identify organizations in other jurisdictions that can be compared with BCIC.

MANAGEMENT'S CONFIDENCE IN DATA INTEGRITY

BCIC's performance management and reporting systems include two components: financial and operational. The financial processes and systems are discussed in the Management Discussion and Analysis section of this report.

Management is confident of the operational data utilized in reporting the results of its activities. BCIC's sources of data include in-house records maintained through electronic databases. These records are based on internal reports, external surveys, and in cases where BCIC supports initiatives implemented by other partner organizations, it requests appropriate records be maintained and reported back as a condition of support. Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

Due to the nature of the data, accuracy is limited by human error. The level of confidence for internal data is at a higher level than those submitted externally. However, BCIC strives to verify questionable data as part of the monitoring process for reports submitted externally.

SHAREHOLDER LETTER OF EXPECTATIONS

The Shareholder Letter of Expectations (SLE) is between the Minister of Advanced Education, as representative of the Shareholder, the Province of British Columbia and the Chair of the British Columbia Innovation Council (BCIC), as the representative of BCIC. The SLE serves as the basis of agreement between the Shareholder and BCIC on corporate mandate including high-level performance expectations, public policy issues and strategic priorities.

The SLE was received and signed in August 2007 by the Honourable Murray Coell, Minister of Advanced Education, and by Hector MacKay-Dunn, QC, Chair of BCIC.

The timing of the SLE is significant as BCIC implemented an ambitious strategy during fiscal 2007/08 to accelerate the growth of the science and technology sectors throughout BC. (Refer to "Shifts in Core Business").

The SLE provides the mandate direction to BCIC on fulfilling its objectives as stated in Section 3, Objectives of Council, of the British Columbia Innovation Council Act.

The BC Research and Innovation Strategy sets out a strategic and coordinated approach to research and innovation in the province. Its goal is to make BC the most productive province in Canada by 2015. The Strategy – which will provide a

framework for future government planning and investment – is the origin of BCIC's activities as detailed in the SLE.

Alignment with SLE for fiscal 2007/08

Requirement	Status
[1] Continue to financially support the University Industry Liaison Offices and the British Columbia Regional Science and Technology Network and its member councils	This is being done, with further support offered to three additional institutions: British Columbia Cancer Agency, British Columbia Institute of Technology and Emily Carr Institute of Art and Design; all three are capable of taking quick steps towards commercialization of key intellectual property.
[2] Continue to steward the $50 million Natural Resources and Applied Sciences Research Endowment.	The funds have been securely invested and programs are scheduled to commence in 2008/09.
[3] By July 2007, develop and initiate programs supporting the creation, growth and retention of promising, small technology companies, industry relevant research and the development and retention of highly qualified professionals (HQP) in British Columbia.	The three areas of innovation, commercialization and talent development are critical to meeting this requirement. BCIC Sector focus and programs designed to advance availability of HQP and commercialize new intellectual property (IP) will show dividends in the near-, mid- and long term.
[4] Encourage, assist and facilitate government, industry and academia in the evaluation, development and transfer of ideas, technologies, commercialization opportunities and innovations supporting Government's Climate Action and Clean Energy goals/initiatives, in order to meet the Province's goal of reducing greenhouse-gas emissions by 33 per cent below current levels by 2020.	BCIC is working closely with both the federal and provincial government, the private sector and academia to advance Government's Climate Action and Clean Energy goals and initiatives. Specifically, both ocean energy and bio-refining are core to the sector initiatives undertaken by BCIC. Further support will come from the creation of a new focus in the area of clean-tech, which will be initiated in Q3 of 2008/09.

[5] Provide advice to Government, as requested, in support of advancement of research and innovation in British Columbia.	BCIC has provided significant advice in the area of the creative industries to the Ministry of Tourism, Sport and the Arts, in addition to delivering on the Province's and BCIC's initiative with the People's Republic of China, to name but two examples. BCIC will continue to advise government when called upon or whenever BCIC see an opportunity to provide new or additional information.
[6] Present, by September 2007, recommendations for the Minister's approval on Council's role and, where applicable, BCIC's implementation strategy for the following Government research and innovation priorities: • Enhancing and expanding the entrepreneurial science and technology culture in British Columbia; • Implementing applicable recommendations arising out of Global CONNECT's Report on Integrating and Enhancing Innovation in British Columbia; • Establishing research and innovation agreements and initiatives with Asia Pacific and western United Sates governments, businesses and institutions; • Addressing matters arising out of public policy announced: British Columbia Research and Innovation Framework; and • Implementing Climate Action and Clean Energy goals/initiatives, in order to meet the Province's goal of reducing greenhouse-gas emissions by 33 per cent below current levels by 2020.	BCIC has initiated a number of programs that are detailed elsewhere in this report to meet the challenge set by the Minister. In the area of entrepreneurship, specific programs have been launched, new courses have been established at both SFU and UBC. In addition, New Ventures BC has been rolled into a plan to develop a business plan certification/graduation program for small businesses throughout BC, with the initial steps already taken and a more broad roll-out expected in early 2009. Following on the recommendations in the Global Connect Report, BCIC has launched and is launching a significant number of initiatives to meet the goals set forth in the Report. BCIC has initiated the first round of bilateral research projects with 13 groups that were the successful proponents in BCIC's working research partnership with the People's Republic of China. BCIC has joined a very important partnership with Lifesciences BC, WD and NRC-IRAP to exchange business development and research collaboration ambassadors with the Medicon Valley, Scandinavia's life sciences hub. Further initiatives are underway with specific California institutions in the creative industries sector. Steps are being taken to ensure that all BCIC initiatives are consistent with the BC R and I Framework. As stated above BCIC is actively looking to enhance BC's position in the area of Climate Action and has taken a number of steps to do so in specific sectors.

[7] Reflect the recommendations (as approved by the Minister) outlined in [6] above in BCIC's 2008/09 Service Plan.	The 2008/09 Service Plan reflects the contents of the SLE as received.
[8] Address BCIC's response to the Government's carbon neutrality initiative.	BCIC is undertaking a number of initiatives to meet and exceed the carbon neutrality initiatives identified by the BC Government. A number of initiatives have been added to BCIC's measure and are being tracked on an on-going basis.

The complete text of the Shareholder Letter of Expectations is available at:
http://www.gov.bc.ca/cas/attachments/shareholders/2007/bcic_sle_2007.pdf

The British Columbia Innovation Council Act is available at:
http://www.qp.gov.bc.ca/statreg/stat/B/96415_01.htm

The British Columbia Research and Innovation Strategy is available at:
http://www.aved.gov.bc.ca/research/documents/strategy.pdf

RISKS – STAFF CAPACITY

To pursue the ambitious growth strategy presented earlier this year that anticipates a five-to-ten-fold increase in activity over the next three years, BCIC must expand its organization and funding. Such expansion presents certain risks. BCIC will manage these risks as outlined in the following sections.

BCIC's 2008/09 Service Plan presents a financial forecast consistent with previous years to comply with the Crown Corporation Service Plan Guidelines. However, over the next three years, BCIC will be seeking additional financial support. To be successful, BCIC must be seen as a significant partner and needs to deliver value to all its stakeholders and to serve in the capacity outlined in the various reports, such as Premier's Technology Council 10th Report.

As BCIC frequently operates with partners, collaborators and other organizations, changes within any of these organizations may impact BCIC's ability to execute on specific initiatives. To reduce such risks, BCIC follows established rules of conduct when entering into agreements with external organizations.

The 2008/09 Service Plan calls for an expansion of human resources at BCIC to manage new initiatives and activities. This includes recruitment and retention strategies to keep existing experienced staff and attract strong external candidates as opportunities are identified. In what has become a seller's market, the constant review of performance, compensation, employee development, and a balanced work-life environment are key to recruiting and retaining a knowledgeable and accomplished group of employees at BCIC.

BCIC will continue to work closely with the Ministry of Advanced Education and other funding partners to maintain a clear understanding of future projections and will align capacity and programs in accordance with funding levels.

CORPORATE GOVERNANCE

Under the British Columbia Innovation Council Act, the Lieutenant-Governor appoints up to 15 members to the British Columbia Innovation Council Board of Directors and delegates the role of the Chair. The Board Chair reports to the British Columbia Legislative Assembly through the Minister of Advanced Education, who is also Minister responsible for Research and Technology.

Five of the Board's 12 members were appointed in 2007.

THE BOARD

Hector MacKay-Dunn, QC, Chair
Senior Partner
Farris, Vaughan, Wills & Murphy
Appointed to the Board: September 1, 2006 until September 30, 2008
Board Committee: Governance and Board Nomination (chair)

Greg Aasen, Vice-Chair
Corporate Director
Appointed to the Board: March 30, 2006 for a three-year term
Board Committee: Programs (chair)

Jonathan Burke
Vice President, Corporate Development
Westport Innovations Inc.
Appointed to the Board: December 12, 2007 for a three-year term

Gurval Caer
President and Chief Executive Officer
Blast Radius
Appointed to the Board: December 12, 2007 for a three-year term

Dr. Don Cozzetto
President
University of Northern BC
Appointed to the Board: December 12, 2007 for a three-year term

Jock Finlayson
Executive Vice President – Policy
Business Council of BC
Appointed to the Board: March 30, 2006 for a three-year term
Board Committee: Audit and Finance (chair)

Richard Glickman
Co-founder
Aspreva Pharmaceuticals

Appointed to the Board: March 30, 2006 for a three-year term
Board Committees: Governance and Board Nomination; Human Resources and Compensation

Dr. Ken Higginbotham
Vice President, Forestry & Environment
Canfor Corporation
Appointed to the Board: March 30, 2006 for a three-year term
Board Committee: Audit and Finance

Doug Horswill
Senior Vice-President, Environment and Corporate Affairs
Teck Cominco Ltd.
Appointed to the Board: December 12, 2007 for a three-year term
Board Committee: Human Resources and Compensation

Greg Kerfoot
Chairman
Vancouver Whitecaps Football Club
Appointed to the Board: March 30, 2006 for a three-year term
Board Committees: Governance and Board Nomination; Programs

Jill Leversage
Managing Director Investment Banking
TD Securities Inc.
Appointed to the Board: December 12, 2007 for a three-year term
Board Committee: Audit and Finance

Dr. Alan Winter
President & CEO
Genome BC
Appointed to the Board: March 30, 2006 for a three-year term
Board Committees: Human Resources and Compensation (chair); Programs

Board Mandate

- Sets the strategic direction and approves appropriate plans from management;
- Recruits, empowers and monitors the executive management;
- Shepherds and safeguards Council resources, approving major financial decisions, ensuring internal controls are in-place and addressing areas of risk; and
- Measures corporate performance, reporting regularly to the stakeholders to ensure compliance with applicable laws and ethical standards.

Board Committees

- The Audit and Finance Committee helps the Board fulfill its obligations and

oversight responsibilities relating to the audit process, financial reporting, corporate control systems and risk management. When required, it makes recommendations to the full Board for approval.

- The Governance and Board Nomination Committee reviews Board policies and practices, ensuring BCIC fulfills its legislated mandate, and implements effective due diligence over BCIC's governance.
- The Human Resources and Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to BCIC's staff policies and practices.
- The Programs Committee oversees ongoing programs and the development of new programs to meet BCIC's mandate.

Governance Principles

BCIC's Board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate. These principles include:

- Stewardship, leadership and effective functioning of the Board;
- Clarity of roles and responsibilities;
- Openness, trust and transparency;
- Service and corporate citizenship;
- Accountability and performance; and
- Value, innovation and continuous improvement.

Governance Disclosure

BCIC's governance documents and related disclosure practices are available at www.bcic.ca/media-and-press/publications/corporate-publications.

SENIOR MANAGEMENT TEAM

BCIC's senior management team consists of:

Chief Executive Officer	Vacant
Vice-President, Innovation Development	Soren Harbel
Chief Financial Officer	Philip Reeves
Director, Life Sciences Sector	Richard Hallman
Director, Creative Industries Sector	Maureen O'Reilly
Director, Ocean Sciences and Energy Sector	Andrew Walls
Director, Programs	Ross Waddell
Director, Marketing and Communications	Lin Kishore

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the British Columbia Innovation Council's financial results is presented below. Chart A details BCIC's current operations, with comparison to budget and the prior year's figures. The chart also includes the results of operations for the previous four years as well as forecast figures for the next three years. These numbers are consistent with the 2008/09 Service Plan.

BCIC is expected to run on a break-even basis with accumulated funds from current and prior years' operations applied to future programs. Therefore in lieu of retained earnings, BCIC's accumulated funds in Chart A are disclosed as Funds Committed to New Programs.

Under the Budget Transparency and Accountability Act BCIC cannot run an annual operating deficit; however, with accumulated funds, future annual expenditures may exceed revenues to reflect the using up of Funds Committed to New Programs as detailed on Chart A.

Chart A details major sources of funding, which for BCIC, are from the Ministry of Advanced Education, investment earnings and other sources of program funding from external agencies.

Council's financial statements, which are prepared under Canadian not-for-profit accounting principles on the deferral basis, disclose income on the basis it was actually used for operations and programs. Actual Funding received from the Ministry of Advanced Education is detailed in Note 8 to the audited financial statements.

Expenditures are grouped by BCIC's core areas of operations which are program delivery, sector development and communications. Non-specific operating expenditures are grouped in accordance with BCIC's Service Plan.

BCIC's FTE positions are detailed on the chart.

CHART A SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS

(in thousands of dollars)

	2003/04	2004/05	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE	FORECAST	FORECAST	FORECAST
Revenues											
Province of BC											
Base	1,300	3,268	1,860	1,661	3,033	3,308	(275)	1,372	3308	3,308	3,308
Science and Technology			1,964	2,784	2,732	2,964	(232)	(52)	2,964	1,964	1,964
Other					140	140	-	140	140		
Other Program Funding					1,600	3,000	(1,400)	1,600	3,000		
Investment Earnings	34	20	1,372	626	750	648	102	124	387	168	387
Other	3,241	2,036	2,844	1,499	2,422	420	2,002	923	420	420	420
Total Revenues	4,575	5,324	8,040	6,570	10,677	10,480	197	4,107	10,219	5,860	6,079
Expenditures											
Science and Technology Fund	-	-	1,964	2,785	2,732	2,964	(232)	(53)	2,964	1,964	1,964
Programs, existing and new	120	102	780	195	2,265	11,162	(8,897)	2,070	10,713	15,746	1,644
Ongoing Research Funds	1,461	946	657	357	398	350	46	39	350	350	350
Sector Development	861	1,613	817	694	525	250	275	(169)			
Communications and Awareness	260	228	236	234	283	275	8	49	275	275	275
Salaries and Benefits	997	970	1,025	1,119	1,902	1,569	333	783	1569	1569	1569
Rent	206	220	161	160	184	152	32	24	152	152	152
Other Operating	402	562	550	522	865	125	740	343	125	125	125
Total Expenditures	4,307	4,641	6,190	6,066	9,152	16,847	(7,695)	3,086	16,148	20,181	6,079
Excess of Revenue over Expenditure	268	683	1,850	504	1,525	(6,367)	7,892	1,021	(5,929)	(14,321)	-
Capital Expenditures	94	36	48	23	105	100	5	82	100	100	100
Total FTE's		13	13	13	19	20	(1)	6	20	20	20
Funds Committed to New Programs	2,122	2,805	14,191	17,549	20,250	11,182	9,068	2,701	14,321	-	-
Total Debt	-	-	-	-	-	-	-	-	-	-	-

Natural Resources and Applied Sciences (NRAS) Research Endowment Fund

In the 2005/06 fiscal year BCIC was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved. As presented in BCIC's 2006/07 Service Plan this endowment fund is considered to be a separate operating segment and it is presented as Chart B. 2007/08 interest earnings on the fund were as forecast.

CHART B NATURAL AND APPLIED SCIENCES ENDOWMENT FUND

(in thousands of dollars)

	2003/04	2004/05	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE	FORECAST	FORECAST	FORECAST
Revenues											
Province of BC			50,000								
Interest				2,059	2,214	2,000	214	155	2,000	2,000	2,000

Assessment of Changes in Results and Reasons for Significant Variances and Trends

Base funding from the Ministry of Advanced Education has remained stable for four years and is expected to remain stable into the future. Funding provided by the Ministry for the Science and Technology program began in 2005/06 and was increased in the following and current year. It is expected that these funds will remain stable for one more year then drop off to 2005/06 levels—resulting in a reduction of related program expenditures.

The Ministry has also provided additional funding toward programs. In 2006/2007 it provided an additional $1 million and in the current year an additional $3 million. This additional funding is expected to remain stable until the next fiscal year but is not expected beyond that. This funding goes directly into programs.

BCIC's investment earnings have been strong due to accumulations of Funds Committed to New Programs invested in interest bearing deposits. Also, the disposal of assets received from the former BC Advanced Systems Foundation has provided extraordinary gains as assets are sold and debts collected.

Other revenues reflect funds received from external, non-Ministry sources and include proceeds from annual awards dinner ticket sales and sponsorship, fees for services and direct and deferred programs funding. These revenues were higher than budgeted due to increased program activities of BCIC.

Salaries, sector development and operating expenditures are higher than budgeted due to increased sector development and program activities. BCIC's FTE positions have increased accordingly.

Program expenditures are less than budgeted due to the lag time between BCIC's Board approval of programs and their launch and funds disbursement. In 2007/2008 the Board approved approximately $9 million in new programs.

Major Risks and Opportunities that Affected Financial Performance

The primary risk associated with the financial performance of BCIC is based upon the level of contributions it receives from principal funders. With growing fiscal restraint on BCIC's funding sources, annual funding levels have a significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources, in order to build awareness of the level of support required. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources.

With the establishment of the Natural Resources and Applied Sciences Endowment Fund, interest rate risks become more significant since the policy for the Fund is to guarantee preservation of the principal. To maximize the return while meeting the requirement of no risk to capital, BCIC has adopted an investment policy using fixed rate investments with laddered maturity dates.

Management Perspective on Future Outlook

Management believes BCIC has a strong role in the leadership of innovation in the province and is confident that government and other funding will continue at strong levels. In addition, BCIC has launched a number of new programs and initiatives funded from its Funds Committed to Future Programs which will take several years to administer and to disburse all the funds.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of the British Columbia Innovation Council are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available up to May 8, 2008. The financial statements have been reviewed by BCIC's Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present BCIC's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditor's Report, Audited Financial Statements and accompanying notes to the financial statements are included in Appendix B.

APPENDIX A – SERVICE PLAN 2007/08 GOALS, OBJECTIVES, MEASURES, AND TARGETS

Goal: Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements

Objective: Communicate British Columbia's opportunities and achievements in research and innovation.

Objective: Increase exposure of elementary and secondary school students to science and technology.

Measure	Definition	Forecast 07/08	Forecast 08/09	Forecast 09/10
Number of media reports mentioning Council initiatives, events and recipients of support programs.	Internal Communications Department count of each instance of mention in the media (formal news channels, articles and webpages) of Council initiatives, events and recipients of support programs.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

Goal: Increase the Development and Commercialization of British Columbia-based Technologies

Objective: Support development of highly qualified personnel and business expertise.

Objective: Enhance technology transfer from research institutions.

Objective: Assist early stage companies to attract funding.

Measure	Definition	Forecast 07/08	Forecast 08/09	Forecast 09/10
Number of technical and management personnel completing Council programs.	Internal count of the number of awardees of Council's technical and management fellowship/ scholarship/ training programs whose final reports are approved.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

Goal: Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities.

Objective: Facilitate BC Industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness.

Objective: Indentify and support research and innovation opportunities in British Columbia.

Measure	Definition	Forecast 07/08	Forecast 08/09	Forecast 09/10
Number of research and technology development/ adaptation projects or initiatives identified and pursued.	Internal count of sectoral-based research and technology development/ adaptation projects or initiatives that are committed for Council support through funding or in-kind participation.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

APPENDIX B - AUDITORS' REPORT, AUDITED FINANCIAL STATEMENTS

Combined Financial Statements of

BRITISH COLUMBIA INNOVATION COUNCIL

Year ended March 31, 2008

KPMG LLP
Chartered Accountants
Metrotower II
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Burnaby BC V5H 4N2

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AUDITORS' REPORT TO THE DIRECTORS

We have audited the combined statement of financial position of British Columbia Innovation Council (the "Council") as at March 31, 2008 and the combined statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of BCIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of BCIC as at March 31, 2008 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

May 8, 2008

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative

BRITISH COLUMBIA INNOVATION COUNCIL
Combined Statement of Financial Position

March 31, 2008

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (note 9)	$ 52,653,966	$ 26,158,067
Short-term investments (notes 4 and 9)	22,908,323	20,512,625
Accounts receivable	93,906	736,451
Awards and contributions receivable	6,998	27,747
Prepaid expenses	7,232	18,790
	75,670,425	47,453,680
Long-term investments (note 5)	321,329	22,968,473
Capital assets (note 6)	144,513	80,002
	$ 76,136,267	$ 70,502,155
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,614,055	$ 894,310
Deferred program revenues (note 7)	7,621,203	8,389,487
Funds committed to future programs (note 8)	5,324,610	3,417,575
	14,559,868	12,701,372
NRAS endowment liability (note 9)	54,272,764	52,058,626
Net assets:		
Invested in capital assets (note 6)	144,513	80,002
Unrestricted	7,159,122	5,662,155
	7,303,635	5,742,157
	$ 76,136,267	$ 70,502,155

Commitments and contingencies (note 10)
Employee future benefits (note 11)

See accompanying notes to the combined financial statements.

Approved on behalf of the Board:

Director

Director

BRITISH COLUMBIA INNOVATION COUNCIL
Combined Statement of Operations

Year ended March 31, 2008

	2008	2007
Revenue:		
Province of British Columbia base funding (note 8)	$ 3,033,158	$ 1,661,328
Program revenue:		
Science and technology	2,731,807	2,784,316
Advanced technology sales	1,400,000	-
Business case development	200,000	-
Graduate scholarships	600,338	-
Aquaculture	340,642	448,305
Fellowships	60,621	191,983
UC Net	-	321,000
Health product and functional food	55,773	7,716
Leading Edge Endowment Fund	189,814	196,573
Premier's Technology Council	140,000	101,000
Interest	749,789	612,541
Other income	752,398	230,227
Gain on equity investments (note 5)	423,052	14,921
	10,677,392	6,569,910
Expenses:		
Program expenses:		
Science and technology	2,731,807	2,784,316
Advanced technology sales	1,400,000	-
Business case development	200,000	-
Graduate scholarships	600,338	-
Aquaculture	340,642	355,863
Fellowships	60,621	191,983
UC Net	-	321,000
Health product and functional food	55,773	1,400
Communications and recognition	283,188	233,625
Leading Edge Endowment Fund	173,828	181,584
Premier's Technology Council	130,718	95,608
Amortization	40,443	29,323
Operations	3,134,566	1,871,461
	9,151,924	6,066,163
Excess of revenue over expenses	$ 1,525,468	$ 503,747

See accompanying notes to the combined financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL
Combined Statement of Changes in Net Assets

Year ended March 31, 2008

	Invested in capital assets (note 6)	Unrestricted	2008 Total	2007 Total
Balance, beginning of year:				
As previously reported	$ 80,002	$ 5,662,155	$ 5,742,157	$ 5,238,410
Adjustment to opening balance (note 2)	-	36,010	36,010	-
As restated	80,002	5,698,165	5,778,167	5,238,410
Excess (deficiency) of revenue over expenses	(40,443)	1,565,911	1,525,468	503,747
Invested in capital assets	104,954	(104,954)	-	-
Balance, end of year	$ 144,513	$ 7,159,122	$ 7,303,635	$ 5,742,157

See accompanying notes to the combined financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL
Combined Statement of Cash Flows

Year ended March 31, 2008

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 1,525,468	$ 503,747
Items not involving cash:		
Amortization of capital assets	40,443	29,323
Unrealized gain on long-term investments	321,035	-
Changes in non-cash operating working capital:		
Accounts receivable and awards and contributions receivable	663,294	49,570,710
Prepaid expenses	11,558	(1,591)
Accounts payable and accrued liabilities	719,745	132,664
Deferred program revenues	(768,284)	1,228,211
Funds committed to future programs	1,907,035	1,625,672
	4,420,294	53,088,736
Investments:		
Short-term investments	(2,395,698)	(20,512,625)
Long-term investments	22,362,119	(19,716,947)
Purchase of capital assets	(104,954)	(22,725)
Increase in Endowment Fund	2,214,138	2,058,625
	22,075,605	(38,193,672)
Increase in cash and cash equivalents	26,495,899	14,895,064
Cash and cash equivalents, beginning of year	26,158,067	11,263,003
Cash and cash equivalents, end of year	$ 52,653,966	$ 26,158,067

See accompanying notes to the combined financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2008

1. Authority and purpose:

BC Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, who is appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

The combined statements reflect the operations of the Council and the British Columbia Advanced Systems Foundation ("BCASF").

Under Section 13 of the Act, directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to support applied research and commercialization of science and technology to foster province-wide economic development.

2. Change in accounting policy:

Effective April 1, 2007, the Council adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation and CICA Handbook Section 3865, Hedges. These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments and related disclosures.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the combined statement of financial position and are initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in the net asset balance until the asset is removed from the statement of financial position. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost.

The standards require derivate instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

2. Change in accounting policy (continued):

must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that the Council must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

As a result of the adoption of these standards, the Council has classified cash and cash equivalents as held for trading, short term investments as held-to-maturity and long-term investments as held for trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. The Council has not identified any derivatives or embedded derivatives that are not closely related to the host contract.

As permitted, these standards have been applied prospectively with an adjustment to opening net assets.

The impact of adopting these standards at April 1, 2007 was an increase in net assets of $36,010 and an increase in revenue over expenses in the current year of $295,221.

3. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Cash and cash equivalents:

Cash and cash equivalents are defined to include highly liquid securities with original terms to maturity of three months or less when purchased and have been classified as held for trading.

(c) Short-term investments:

Short-term investments, which are recorded at the lower of amortized cost and market value, are defined to include investments with original terms to maturity of greater than three months and less than one year when purchased and are classified as held-to-maturity.

(d) Long-term investments:

Long-term investments, which include investments with original terms to maturity of greater than one year when purchased, are classified as held for trading and are recorded at market value.

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

3. **Significant accounting policies (continued):**

(e) Capital assets:

Capital assets purchased by the Council with a value greater than $1,000 are capitalized and recorded at historical cost. Capital assets are amortized over their estimated useful lives as shown in the schedule below.

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33-1/3% declining balance
Leasehold improvements	Lesser of the term of the lease and the useful life of the asset

Management has reviewed the carrying value of the capital assets and determined that there is no impairment.

(f) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received if the amounts can be estimated and collection is reasonably assured. Government grants not restricted as to their use are recognized as revenue when receivable. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the products are delivered.

Investment income on net asset balances is recognized as revenue when it is earned.

Externally restricted non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expense is incurred.

Investment income on deferred revenue balances is deferred and recognized as revenue in the year in which the related expense is incurred.

(g) Employee future benefits:

The Council accrues employee future vacation entitlements. The Council is a member of the Public Service multi-employer pension plan (note 11).

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

3. Significant accounting policies (continued):

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates is the determination of useful lives of capital assets for amortization and accrued liabilities. Actual results may differ from these estimates.

(i) Future changes in accounting standards:

Commencing with the fiscal year beginning April 1, 2008, the Council will be adopting CICA Handbook Section 3862, Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation. These standards revise the current standards on financial instruments disclosure and presentation and place an increased emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

Management is currently determining the impact of the adoption of these standards on the financial statements for the 2009 fiscal year.

4. Short-term investments:

The market value of the Council's short-term investment is $23,224,837 (2007 - $20,499,525). The short term investments are a Bankers Acceptance of $2,908,323 with a maturity date of May 5, 2008 and a term deposit of $20,000,000 with a maturity date of March 31, 2009.

5. Long-term investments:

Long-term investments are share investments of previous BCASF program participant corporations received in exchange for all or a portion of loan or royalty interests (2007 figures included federal and provincial bonds, which matured or were disposed of during the year). Shares of privately held corporations and publicly traded shares are recorded at their market value. As at March 31, 2008, the Council has assessed the shares of privately held corporations to have no market value. As such, these investments are recorded at a nominal value of $1 each for each company shareholding. As at March 31, 2008, the market value of long-term investments was $321,329 (2007 - $23,078,651).

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

6. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Furniture, fixtures and equipment	$ 96,506	$ 51,778	$ 44,728	$ 14,132
Computer hardware and software	216,907	126,297	90,610	51,141
Leasehold improvements	27,770	18,595	9,175	14,729
	$ 341,183	$ 196,670	$ 144,513	$ 80,002

7. Deferred program revenues:

	2008	2007
Balance, beginning of year	$ 8,389,487	$ 7,161,276
Provincial contributions	50,000	1,000,000
Other contributions	98,407	1,028,953
Investment income	140,683	168,013
Less amounts amortized to program revenues	(1,057,374)	(968,755)
Balance, end of year	$ 7,621,203	$ 8,389,487

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

8. Funds committed to future programs:

	2008	2007
Balance, beginning of year	$ 3,417,575	$ 1,791,903
Province of British Columbia:		
Base funding	3,308,000	3,287,000
Additional program funding	3,000,000	-
Science and technology funding	2,964,000	2,784,316
Less funding recorded as revenue:		
Base	(3,033,158)	(1,661,328)
Science and technology	(2,731,807)	(2,784,316)
Advanced technology sales	(1,400,000)	-
Business case study development	(200,000)	-
Balance, end of year	$ 5,324,610	$ 3,417,575

The Ministry of Advanced Education (the "Ministry") provides funding for the Council's general and administrative activities as well as for science and technology initiatives. Any portion of the contribution received as funding from the Ministry, and interest earned thereon that has not been expended or committed in writing to be expended by the Council in or towards the reimbursement or the satisfaction of costs, prior to the end of each fiscal year, will at the sole discretion of the Province, either:

- become immediately due and repayable by the Council to the Province; or
- be applied and committed in a manner approved by the Province against additional activities in fulfillment of the Council's goals and objectives.

9. Natural Resources and Applied Science Research Endowment liability ("NRAS"):

In fiscal year 2005/2006, the Council was charged with stewarding $50 million from the Ministry of Economic Development for the support of training, research and development in natural and applied sciences. As an endowment liability, it is expected that the capital and all interest earned will be preserved. As such, cash and cash equivalents of $34,272,764 and short-term investments of $20,000,000 equal to the endowment liability of $54,272,764 are restricted.

Investment earnings of the endowment liability are credited directly to the endowment liability on the statement of financial position.

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

10. Commitments and contingencies:

(a) The Council's offices are occupied under a long-term lease with varying terms to November 29, 2009. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until November, 2011 at a quarterly rental of $3,174.

Total lease commitments for the next three years are as follows:

2009	$ 206,026
2010	141,583
2011	6,348

(c) The Council entered into gift agreements of $2,300,000 with the University of British Columbia ("UBC") to provide funding to the Sauder School of Business British Columbia Innovation Council Chair in Sales and Sales Management and to the British Columbia Innovation Council Business Case Library. During fiscal 2008, $800,000 was paid to UBC and $800,000 has been accrued as at March 31, 2008. The remaining $700,000 is payable in 2009/2010 contingent on funding being allocated to the Council from the Government of British Columbia for fiscal 2009/2010.

11. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Public Sector Pension Plans Act (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability of $767 million. As a result, the actuary determined that an increase in contribution rates, effective April 1, 2006, of 1.88% each, for Plan members and employers was necessary in order for the Plan to maintain its long-term financial soundness and thus its ability to meet the pension promise made to Plan members.

Contributions to the Plan by the Council for fiscal 2008 were $97,892 (2007 - $71,492).

BRITISH COLUMBIA INNOVATION COUNCIL
Notes to the Combined Financial Statements (continued)

Year ended March 31, 2008

12. Financial instruments:

The Council's financial instruments, including cash and cash equivalents, accounts receivable, awards and contributions receivable and accounts payable and accrued liabilities approximate their fair value due to their immediate or short term to maturity. The fair market values of short-term and long-term investments are disclosed in notes 4 and 5, respectively.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

APPENDIX C – GLOSSARY

Innovation - refers both to the outcome and the creative process of applying knowledge to the development of new products and services or to new ways of designing, producing or marketing an existing product or service for public and private markets. As an outcome, there is the characteristic of newness in innovations; a world's first, new to Canada or simply new to the organization that applies them. As a process, there is the existence of many and important links which connect the prototype of a product or service and the commercial use in the marketplace.

Science and Technology - systematic activities which are closely concerned with the generation, advancement, dissemination and application of scientific and technical knowledge in all fields of science and technology. These include such activities as research and development (R&D), scientific and technical education and training, and scientific and technical services.

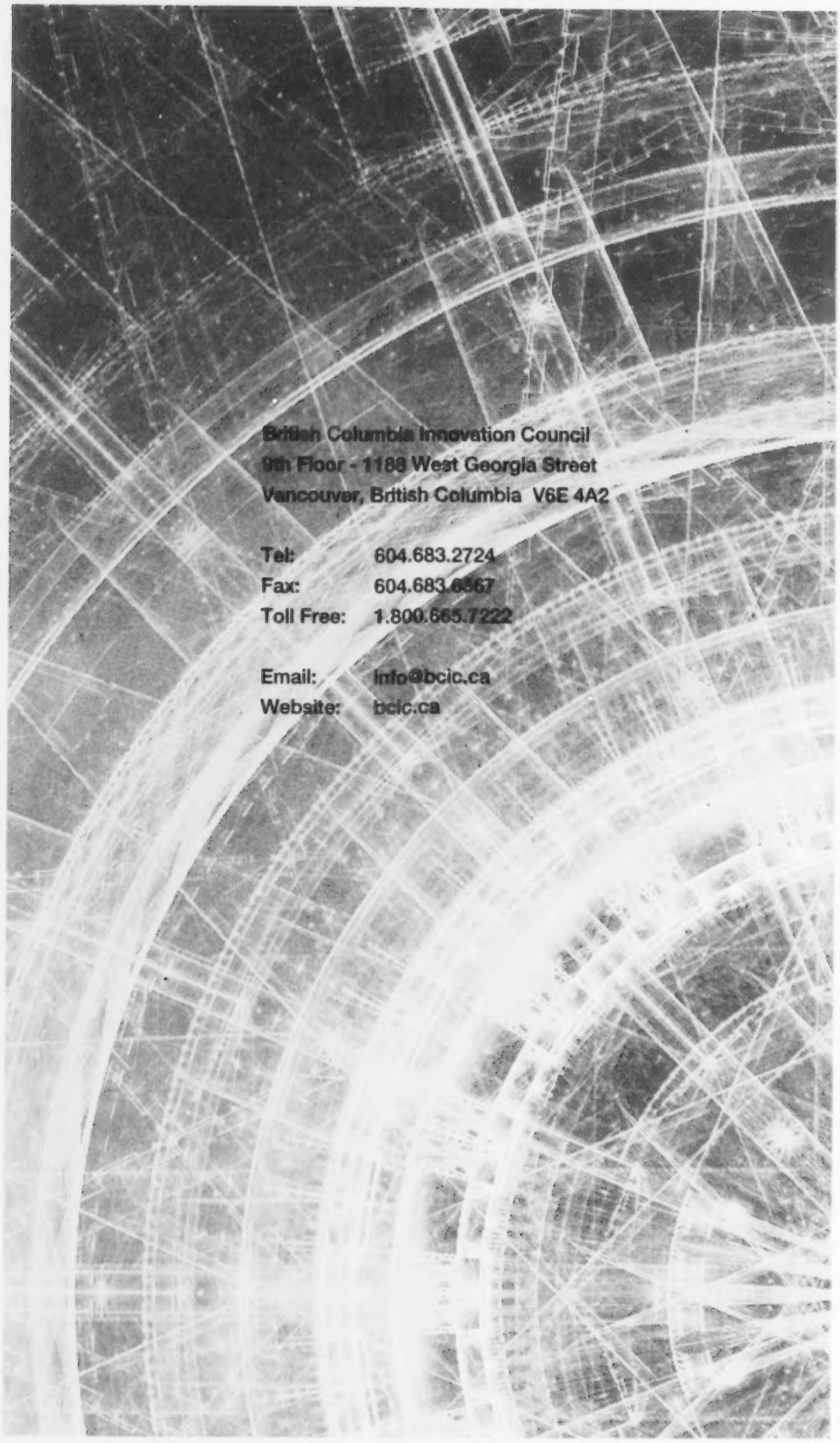
Research and Development - creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of people, culture and society, and the use of this stock of knowledge to devise new applications.

Commercialization - three main interpretations are:

- Research-oriented: The commercialization of research was often portrayed as a linear chain of events beginning with research and ending with the commercial success of a product. This approach neglects the convergence of technologies that is often required to create new products.
- Innovation-oriented: The commercialization of innovation focuses on the contribution to the economy of new and significantly improved products. Although many innovations have a research component, not all do.
- Competitiveness-oriented: This is the broadest perspective and includes knowledge generation (research and development, and education), innovation and productivity. The perception is that improving all aspects of the system of commercialization will increase the nation's competitive advantage.

Technology Transfer - movement along a path wherein discovery, idea or invention leads into an operational system, product or service.

Science and Technology Awareness - attitudes and predisposition towards science and technology which are based on beliefs and feelings and are manifest in a series of skills and behavioural intentions from a desire to access scientific and technological knowledge, confidence to explore ramifications of that knowledge, understanding of key ideas/products and how they came about, to evaluation of the status of scientific and technological knowledge and its significance for personal, social and economic life.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